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No. 06-1440

Supreme Court, U.S.
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In The

Supreme Court of the United States

LORILLARD TOBACCO COMPANY,

Petitioner,

v.

ISAAC G. ENGIDA, D.B.A. I & G LIQUORS,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Tenth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

STEPHEN C. PETERS
Counsel of Record
JOHN A. CHANIN
LINDQUIST & VENNUM P.L.L.P.
600 17th Street,
Suite 1800 South
Denver, CO 80202
(303) 573-5900

June 1, 2007

Counsel for Respondent

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

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I. STATEMENT OF FACTS

On February 10, 2006, Petitioner Lorillard Tobacco Company ("Petitioner" or "Lorillard") filed a complaint in the district court alleging, *inter alia*, violations of the Anti-Counterfeiting Consumer Protection Act of 1996 ("Anti-Counterfeiting Act"), codified in relevant part at 15 U.S.C. § 1116. (Aplt. App. at 5).[1] The complaint was supported by affidavits alleging that on January 31, 2006, two Lorillard employees obtained two individual packages of counterfeit Newport® cigarettes from I & G Liquors in Denver, Colorado. (Aplt. App. at 79, 84). Neither affidavit establishes that Engida sold these cigarettes or was present when either cigarette package was obtained. The complaint alleges that Engida owns I & G Liquors, the business where the Lorillard employees allege they "secured" these cigarettes. (Aplt. App. at 7). Engida had not responded to the complaint when Lorillard filed its notice of appeal.

At the commencement of the action, Lorillard also filed a pleading entitled "Motion for Ex Parte Seizure Order, Temporary Restraining Order, and Order to Show Cause for Preliminary Injunction, and Order Accelerating Discovery." (Aplt. App. at 31). The district court promptly conducted an *ex parte* hearing on the motion as soon as it was filed. The court was in session for three minutes. (Aplee. Supp. App. at 16). At the conclusion of the hearing, the district court executed the proposed order after making several handwritten interlineations (Aplee. Supp. App.

[1] All references are to the record before the Tenth Circuit Court of Appeals.

at 7-15). This is the only form of order Lorillard tendered at any time before filing its notice of appeal.

At the conclusion of this *ex parte* hearing, the district court set "a show cause hearing." (Aplee. Supp. App. at 19). The record of the February 10 hearing discloses no discussion whatsoever about conducting a hearing on a motion for preliminary injunction. Indeed, the order Lorillard prepared, and the district court entered, indicates that the defendant would be required to show cause "why an order should not be entered granting Lorillard a *temporary* [rather than 'preliminary'] injunction . . . " (Aplee. Supp. App. at 10).

The respondent appeared *pro se* as ordered by the district court on February 24, 2006. (Aplt. App. at 102, 103). In an 18 minute hearing, the court began by taking appearances and hearing Lorillard's arguments about why the case should remain under seal. (Aplt. App. at 104). After hearing Lorillard's arguments, the court ordered the case unsealed. (Aplt. App. at 105).

Next, in response to the court's request for a "status report from Plaintiff's counsel" (Aplt. App. at 105) as to what had occurred since the temporary restraining order had entered, Lorillard's counsel advised the court that Petitioner had "effectuated a search and a seizure of Mr. Engida's premises." (*Id.*) Counsel advised that 20 cigarette packs of other brands had been identified, but admitted that none of them were Newports®, the Lorillard brand in question. (*Id.*) Lorillard did not file any return with the district court identifying the contents it seized from Engida's premises, and Lorillard's counsel provided no proof at the show cause hearing that any counterfeit

cigarettes had been recovered during the search it had executed with the assistance of the U.S. Marshal's Office.

After inquiring whether Lorillard was requesting the court "to continue a restraining order on this showing," (Aplt. App. at 106-07), and confirming that Lorillard was making that request, (Aplt. App. at 107), the district court specifically inquired why Lorillard was requesting further injunctive relief on the basis of this showing. (Aplt. App. at 107). After Lorillard's attorneys made no further offer of proof, the district court concluded:

> The most reasonable inference that I can make, and I really don't even need to hear from Mr. Engida, is that he happened accidentally to come into possession in his business of – purported trademark violations of two packages of cigarettes.

(Aplt. App. at 109). The district court's inference was corroborated by Engida's statements at the hearing that he buys cigarettes for resale at "Sam's Club and the Cigarette Store." (Aplt. App. at 110).

After making these findings, the district court concluded as follows:

> Now Mr. Engida was directed to come here and show cause why a preliminary injunction shouldn't be entered, but you've shown cause why it shouldn't and why the TRO ought to be dissolved.
>
> You can take all the discovery under the rules that you are legally entitled to do, but I'm not going to place the imprimatur of the federal government and the United States judiciary on a

> preliminary injunction, and I'm going to dissolve the temporary restraining order.
>
> You went fishing, and you came back empty handed.
>
> All right. The temporary restraining order is going to be dissolved.

(Aplt. App. at 109-10). At no time during the proceeding did the district court state that it was conducting a hearing on a motion for preliminary injunction. Although Lorillard appeared through two of its attorneys and one of its affiants, William Blakslee, Lorillard did not request to present any evidence at the hearing. Further, Lorillard did not tender a proposed preliminary injunction order or any proposed findings of fact or conclusions of law.

Instead, the district court concluded the show cause hearing by addressing the respondent, who appeared *pro se*, and confirming that he could not afford to hire an attorney. (Aplt. App. at 103, 110). In addressing the Court, however, Engida did make it plain in his poor English that he wanted to contest Lorillard's case, stating:

> So I don't want to hire an attorney, and I want them to prove that I sell it. If there is any cigarettes, I and G, I want them to prove it.

(Aplt. App. at 110-11). Engida also advised the Court that he had declined requests from Lorillard's attorneys to have Engida provide "a confession" and:

> Sign the paper, you know, to make it permanently for you know, not selling something.

(Aplt. App. at 110). Engida made no statements at the hearing consenting to an injunction or waiving his right to

a contested hearing in which Lorillard would have the burden of proof. (Aplt. App. at 110-11).

After Engida stated his intention to put Lorillard to its proof, the district court ordered Lorillard to show cause why its action should not be dismissed as frivolous. (Aplt. App. at 111). The district court also advised Engida that it would attempt to locate *pro bono* counsel for Engida if the Court determined that the case was not frivolous and the action should proceed. (*Id.*) Lorillard's counsel did not ask the Court to consider any affidavit evidence rebutting Engida's position before the show cause hearing concluded and Lorillard did not make an offer of proof or request to present evidence. At the conclusion of the show cause hearing, Lorillard did not request that the case be set for further injunctive proceedings of any kind.

In keeping with the district court's customary practice, the district court also entered a written order on February 24, 2006 setting forth and summarizing the actions that the district court had taken at the hearing. (Aplt. App. at 113). That order was three-fold and provided as follows: "(1) The Temporary Restraining Order granted on February 10, 2006 is hereby DISSOLVED. (2) The seal placed on this case February 10, 2006 is LIFTED. (3) Plaintiff Lorillard Tobacco Company is hereby ordered to show cause why this case should not be dismissed as frivolous, no later than March 6, 2006." *Id.* The written order did not purport to rule on any pending motion for preliminary injunction or to otherwise grant or deny preliminary injunctive relief under Fed. R. Civ. P. 65.

Lorillard did not move for reconsideration of the Court's February 24, 2006 order and it did not file a motion requesting findings of fact or conclusions of law

under Fed. R. Civ. P. 52. Likewise, Lorillard did not file a motion for preliminary injunctive relief at any time after the February 24 hearing was conducted and it never requested the district court to hold an evidentiary injunction hearing. As ordered, however, Lorillard filed a response to the February 24, 2006 show cause order arguing why the case should not be dismissed as frivolous. (Aplee. Supp. at 4). That pleading did not challenge or request reconsideration of the Court's order dissolving its earlier temporary restraining order and Lorillard did not request further injunctive relief in its response to the show cause order. Engida, who was still *pro se*, filed no opposition to Lorillard's March 6 papers.

After considering Lorillard's response to the show cause order, the district court determined to locate *pro bono* counsel for Engida and the case proceeded. More specifically, by order dated March 13, 2006, the district court appointed undersigned counsel to represent Engida. (Aplee. Supp. App. at 25). The record does not include any evidence that Lorillard pursued any form of injunctive relief – by motion or otherwise, after the court appointed counsel to represent Engida. Thus, when Lorillard subsequently filed its Notice of Appeal on March 23, 2006, the district court had not entered any written order, findings of fact, or conclusions of law directed to the propriety of a preliminary injunction.

II. ARGUMENT

Especially given the undeveloped state of the record, this is not a case that the Court should review at this interlocutory stage of the proceeding. Contrary to the Petitioner's statement of the questions presented, whether

the Respondent sold two packs of counterfeit cigarettes to Lorillard's undercover agents is very much in dispute. After Respondent demanded that Lorillard prove its case, it was incumbent on the Petitioner to come forward with evidence establishing its right to a preliminary injunction pursuant to Rule 65 of the Federal Rules of Civil Procedure, but the Petitioner failed to do so. In reviewing this record, the Court of Appeals properly concluded that the district court did not abuse its discretion to deny preliminary injunctive relief. The judgment below neither departs from existing law nor creates a split of authority among the circuit courts.

A. The Record In This Case Is Too Poorly Developed To Warrant Further Appellate Review At This Interlocutory Stage Of The Proceeding.

All of Petitioner's factual allegations on appeal are based on three affidavits from Lorillard agents and a plethora of secondary sources. None of the affidavit evidence has ever been tested in court or subject to cross-examination. The Petitioner did not call any of the three affiants to testify, even after Mr. Engida appeared *pro se* at the show cause hearing and requested that Petitioner "prove" its case. Rather than proceed with an evidentiary hearing after the district court indicated that it would appoint counsel for Engida, Lorillard filed this hasty, ill-conceived appeal. *See, Haines v. Kerner*, 404 U.S. 519, 521 (1972) (Pro se litigant is entitled to opportunity to offer proof).

Further, although the Tenth Circuit found that the district court orally denied preliminary injunctive relief in this case, it is undisputed that the Petitioner failed to

submit proposed findings of fact, conclusions of law, or any other form of proposed order to the district court. Likewise, the district court never entered any such order. The lack of written findings of fact and conclusions of law under Fed. R. Civ. P. 52(a), which are required when ruling on a preliminary injunction motion, is indicative that the district court did not think it had conducted a preliminary injunction hearing or had ruled on a motion for preliminary injunction.

Although the district court appointed undersigned counsel to represent Engida, the interlocutory appeal in this case was filed before the due date for Respondent's answer or other response to the complaint. As a result, the state of the record does not establish which allegations in Petitioner's complaint are in dispute. Respondent has never had the opportunity to lodge affirmative defenses, file motions directed to the complaint, join parties, or take discovery directed to the propriety of the Petitioner's irreparable injury claim. The record is completely devoid of the Respondent's position, other than his *pro se* statement at the show cause hearing:

> I'm sure I didn't do anything wrong. I buy my cigarettes from known sources, Sam's Club and the Cigarette Store.

(Aplt. App. at 110).

On remand, Respondent intends to mount a substantive due process challenge to the strict liability portions of the Anti-Counterfeiting Act, 15 U.S.C. § 1116(d). In summary, Engida will argue that the combination of strict liability and mandatory statutory damages as applied to an unwitting retailer constitutes an arbitrary deprivation of property in violation of due process. *See, County of*

Sacramento v. Lewis, 523 U.S. 833, 845-46 (1998) (Due process is intended to secure the individual from the arbitrary action of the government, unrestrained by principles of private right and distributive justice); *Daniels v. Williams*, 474 U.S. 327, 331 (1986) ("This history reflects the traditional and common-sense notion that the Due Process Clause, like its forebear in the Magna Carta, was intended to secure the individual from the arbitrary exercise of the powers of government"); *Wolff v. McDonnell*, 418 U.S. 539, 558 (1974) (same). "Elementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose." *BMW of North America, Inc. v. Gore*, 517 U.S. 559, 574 (1996).

Here, it is arbitrary to impose strict liability and mandatory damages on a retailer such as Engida when Congress described such unwitting retailers as themselves victims of counterfeiting. *See* S. Rep. 104-177, p. 2 (Counterfeiting of trademarked merchandise "injures unwitting retailers, who must face the ire of customers who discover their brand name purchases are in fact counterfeits").

In a similar vein, on remand, Respondent will also move to declare that the strict liability provisions of the Anti-Counterfeiting Act are void for vagueness, as applied to the facts of this case. The Supreme Court has long held that "[i]t is a basic principle of due process that an enactment is void for vagueness if its prohibitions are not clearly defined." *Grayned v. City of Rockford*, 408 U.S. 104, 108 (1972) ("[W]e insist that laws give the person of ordinary intelligence a reasonable opportunity to know what is prohibited, so that he may act accordingly. Vague laws may trap the innocent by not providing fair warning"). *See also,*

Village of Hoffman Estates v. Flipside, Hoffman Estates, Inc., 455 U.S. 489 (1982). The Court has recognized that a scienter element may mitigate a law's vagueness, especially with respect to the adequacy of notice as to what conduct is proscribed. *Hoffman Estates*, 455 U.S. at 499. As applied to the circumstances of the instant case, the strict liability provisions of the Anti-Counterfeiting Act are impermissibly vague because a person of ordinary intelligence has no ability to determine which Newport® cigarettes are genuine and which are counterfeit. Without a scienter or deliberate ignorance standard, the law does not provide fair warning and it may trap the innocent retailer who happens to sell counterfeit products without any knowledge or reason to suspect that the products are not the real thing.

Finally, in ordering that this case be stayed pending appeal, the district court has clarified that it had not intended to grant or deny a preliminary injunction before the petitioner commenced its appeal. As the district court noted:

> THE COURT: You know, what was really entered was a TRO, and I dissolved it.
>
> MR. LANG: That's correct.
>
> THE COURT: It was not a ruling on a motion for a preliminary injunction, it was a dissolution of a TRO. There's some question whether that's even an appealable order.

This explains why there are no written findings to review in this case.

The undeveloped state of the record in this case, and particularly the lack of any evidentiary hearing following

Respondent's request to "prove it," make this a terrible "test case" to interpret the important questions at the intersection of trademark infringement law and preliminary injunction standards following the Court's recent decision in *eBay v. MercExchange, LLC*, 126 S.Ct. 1837 (2006). Thus, this is not a case in which the adversarial process has sharpened the issues for appeal in any meaningful way.

B. The Factual Predicates For Injunctive Relief Are Disputed In The District Court.

Despite Petitioner's continual assertions that many facts are undisputed, the only certainty in the district court record is that all relevant facts are in dispute.

1. Respondent Contested Whether It Sold Counterfeit Cigarettes.

In its Petition, Lorillard states: "[I]t is undisputed that Petitioner demonstrated a likelihood of success on the merits by presenting unchallenged evidence that Respondent sold counterfeit Newport cigarettes." (Cert. Pet. at 10). Nothing could be further from the truth.

At the February 24, 2006 show cause hearing, Respondent plainly put the Petitioner on notice that he contested the factual underpinnings of Petitioner's case. But even though Lorillard appeared with three attorneys and Edward Blaksee, one of its affiants, Lorillard failed to even request an opportunity to present evidence in support of its motion. Mr. Blaksee did not identify Isaac Engida as the person from whom he had "secured" the cigarettes. No one from the U.S. Marshal or anyone else testified that Mr. Engida was present when the seizure

warrant was executed. No one testified concerning the documents seized from Respondent's store, documents that Petitioner now suggests were somehow suspicious or indicative of an unknown source. In fact, those documents were never made part of the record or presented to the district court as evidence. The record is unclear as to who was in the store when the authorities located 20 packages of cigarettes. All that was established at the hearing is that none of those cigarettes were Newports®, either genuine or counterfeit. No contraband whatsoever was recovered.

Even as to its purported strict liability claims, Lorillard has not offered any evidence or testimony at all, let alone evidence establishing that the two offending packs of cigarettes were purchased at Respondent's store or that they are counterfeit. Lorillard's *ex parte* affidavits are simply insufficient to establish its right to this drastic remedy by clear and unequivocal evidence, especially after a *pro se* defendant requested that Lorillard "prove it." Rather than proceed with an evidentiary hearing after the district court indicated that it would appoint counsel for Engida, Lorillard filed this hasty, ill-conceived appeal.

The Affidavit of William E. Blakslee is far too equivocal to establish that Lorillard will prevail on the merits at trial. (Aplt. App. at 79-80). Blakslee has been a Lorillard employee for almost 25 years. There is no evidence in the record, for example, about what Blakslee means when he says Blakslee and another Lorillard employee "secured" counterfeit Newport® cigarettes from I & G Liquors. (Aplt. App. at 80). The Affidavit does not say how Blakslee gained access to the premises, or whether Blakslee disclosed who he represented. The Affidavit does not describe Engida or identify him as having been present when

Blakslee "secured" his cigarettes. Coupled with Petitioner's failure to obtain any Newports® – real or counterfeit, during the February 14 search, there is little, if any basis to conclude that Petitioner would establish its claims against Engida by a preponderance of evidence at trial, and certainly no basis to conclude that injunctive relief was appropriate to prevent future violations of the Lanham Act.

2. Petitioner Presented No Evidence That A Preliminary Injunction Would Be In The Public Interest.

Petitioner failed to present any evidence establishing this traditional preliminary injunction factor by clear and unequivocal evidence. Petitioner argued at length in its district court pleadings about the strength and importance of Lorillard's trademarks and the likelihood of confusion, but Petitioner appears merely to assume that Lorillard's interests are the same as the public's interest. Although it may be accurate to state that "what's good for Lorillard is good for America," the district court cannot simply assume that fact without the benefit of evidence and an adversarial hearing.

Certainly, there is a general public interest in stopping the flow and sale of counterfeit goods. The petition here devotes many pages to secondary sources, all of which are outside the record on appeal, detailing the scope and costs of the counterfeiting problem. The question, however, is whether the proposed injunction in this case does anything to advance that public interest. Lorillard offered no evidence answering this question in the affirmative. Indeed, in the legislative history of the Anti-Counterfeiting Act, Congress itself recognized that unwitting retailers

who sell counterfeit products are themselves injured by the counterfeiting of trademarked merchandise. *See,* S. Rep. 104-177, p. 2. It is difficult to discern how subjecting an unwitting retailer like Engida to contempt sanctions would advance the public interest in stopping the flow of counterfeit goods.

In contrast, the public has a general interest in limiting the exercise of judicial power to those situations where such exercise is truly necessary. This general principle is reflected in the limited jurisdiction of the federal courts and the jurisprudential rules of standing, mootness, and a live case or controversy. As argued below, the proposed preliminary injunction here was not necessary to prevent any real threat of continuing injury while this case is pending. Therefore, it was in the public interest for the district court to deny the affirmative relief requested by Lorillard.

In short, Lorillard has failed to establish by clear and convincing evidence that a preliminary injunction would be in the public interest. Sweeping generalizations about the scope and cost of the counterfeiting problem and secondary sources are no substitute for competent evidence, presented to the district court, and subject to the test of cross-examination and rebuttal.

3. Petitioner Failed To Present Evidence Demonstrating Irreparable Injury.

Petitioner argues simply that it has satisfied its burden of proof on this factor based on a presumption of irreparable harm following an act of trademark infringement. Petitioner conflates the concept of irreparable harm from past violations as used in the damages context with

the concept of irreparable harm from future violations as used in the preliminary injunction context.

As a matter of fact, the district court here heard no evidence at all concerning alleged harm to Lorillard, let alone evidence demonstrating a threat of future irreparable harm if an injunction did not issue. In fact, the only information provided to the district court indicated the exact opposite – that Engida was not selling any Lorillard products at all, genuine or counterfeit. Thus, there was no evidence presented at the show cause hearing indicating that Respondent even had the ability to commit future acts of trademark infringement.

Further, in the pre-*eBay* line of cases relied on by Petitioner, the presumption of irreparable injury was not absolute; for example, a district court could properly deny an injunction where there was no evidence of a likelihood of future infringement. *See generally, Gucci America, Inc. v. Daffy's Inc.*, 354 F.3d 228 (3rd Cir. 2003). Although the district court here may not have used the actual words "irreparable injury," it is clear that the district court found no threat of continuing harm on the record before it. (Aplt. App. at 107).

4. Lorillard Failed To Demonstrate Any Harm In The Absence Of An Injunction.

Lorillard introduced no competent evidence that it would suffer any harm in the absence of preliminary injunctive relief. Indeed, the only real evidence indicates the opposite. Again, the Tenth Circuit decision properly focused on the risk of future violations, noting "[T]he raid did not indicate a substantial likelihood that [Respondent]

had or would sell any additional counterfeit Newport cigarettes." (Cert. Pet. App. at 6a).

In a similar vein, Lorillard did not provide any evidence to the district court that an injunction would actually reduce the possibility of future, unintentional sales of counterfeit cigarettes. According to Petitioner, the law already imposes strict liability on a retailer like Respondent for the sale of counterfeit products. In a case such as this one, where a lay person cannot distinguish between genuine and counterfeit product, it is unclear how an injunction adds anything of value to the equation.

Of course, if there is no evidence on one side of a balancing test, then the scale must tip in the other direction. In other words, if Lorillard has not demonstrated a risk of future harm in the absence of an injunction, then *any* harm to Respondent necessarily outweighs the alleged harm to Lorillard.

C. The Court Of Appeals Opinion Correctly Applied The Irreparable Harm Factor And Did Not Create A Circuit Split.

Petitioner asserts that the Tenth Circuit erred by failing to presume irreparable harm for the purposes of a preliminary injunction from a past violation of the Lanham Act. Petitioner further asserts that the Tenth Circuit's decision on that issue is in conflict with other circuits. The Tenth Circuit decision, however, is much more limited in scope and does not conflict with the other circuit decisions cited by Petitioner.

The Tenth Circuit merely held that, on the record before the district court, it was not an abuse of discretion

to deny preliminary injunctive relief. (Cert. Pet. App. at 5a). The Tenth Circuit correctly focused on the threat of future harm because it is that threat against which preliminary injunctions are directed. "The record does not establish that Lorillard would suffer great and certain harm in the absence of an injunction." (*Id.*) The Tenth Circuit also noted that the raid on Respondent's store did not reveal any additional counterfeit cigarettes, "undermining the likelihood of future injury to Lorillard." (*Id.*)

All of the cases relied on by Petitioner to show the purported conflict with the Tenth Circuit were decided prior to this Court's decision in *eBay*. In that case, this Court held that the traditional principles of equity should guide applications for injunctive relief in context of disputes arising under the federal Patent Act, specifically referencing the familiar four-factor test. In so holding, the Court rejected the use of "categorical" and "general" rules, and the use of "expansive principles" applicable to a "broad swath of cases," to decide applications for injunctive relief under the intellectual property laws. *eBay*, 126 S.Ct. at 1839. In a 9-0 decision, the Court wrote:

> We take no position on whether permanent injunctive relief should or should not issue in this particular case. . . . We hold only that the decision whether to grant or deny injunctive relief rests within the equitable discretion of the district courts, and that such discretion must be exercised consistent with the traditional principles of equity, in patent disputes ***no*** less that in other cases governed by such standards.

eBay, 126 S.Ct at 1841 (emphasis in original). The *eBay* opinion also recognizes, and relies upon, earlier Court authority holding that the four-part test applies in cases

under the Copyright Act. *Id.* at 1840. Similarly, the Lanham Act expressly incorporates "principles of equity" into the section authorizing injunctive relief. 15 U.S.C. § 1116(a).

In its efforts to manufacture a circuit split justifying certiorari, Petitioner relies almost exclusively on another Lorillard case, *Lorillard Tobacco Co. v. Amouri's Grand Foods, Inc.*, 453 F.3d 377 (6th Cir. 2006). However, *Amouri's* is legally and factually distinguishable from the instant appeal. Presumably because they were decided almost simultaneously, the *Amouri's* decision does not mention *eBay* at all. Likewise, Lorillard's opening brief in the court of appeals failed to even acknowledge the *eBay* decision.

In *Amouri's*, the district court issued an *ex parte* temporary restraining order and seizure order in circumstances initially similar to the circumstances present in this appeal. Upon execution of the seizure order, however, the two cases part ways. In *Amouri's*, the Marshals discovered additional packages of allegedly counterfeit Newport® cigarettes in the defendant's store, thus raising the specter of continuing sales of counterfeit cigarettes. 453 F.3d at 379. In stark contrast, Petitioner here came back empty handed following the search of Engida's business. Further, in *Amouri's*, there was a full and fair preliminary injunction hearing at which both parties were represented by counsel and had the opportunity to offer evidence. No such hearing occurred in the instant case.

Perhaps more importantly, the *Amouri's* court applied the very kind of general rule forbidden by *eBay*. In discussing the critical element of irreparable injury, the *Amouri's* court simply stated that "in cases of this type" irreparable

injury "ordinarily follows" when a likelihood of confusion appears from infringement. 453 F.3d at 381-82. This is precisely the kind of categorical rule or general principle applicable to a broad swath of cases that was condemned in the *eBay* decision.

Therefore, the Tenth Circuit's decision here did not conflict with *Amouri's* or any other case cited by Petitioner. First, none of the cases relied on by Petitioner had the opportunity to consider the reach of this Court's decision in *eBay*. It is simply premature to declare a circuit-split before the circuits have an adequate opportunity to rule on the impact of the *eBay* decision. In fact, the Sixth Circuit recently cited and applied *eBay* in a trademark infringement case, noting that the evidence showed a risk of future harm to the trademark holder if the defendant's ongoing conduct was not enjoined. *Audi AG v. D'Amato*, 469 F.3d 534, 550 (6th Cir. 2006). Second, the instant case is factually distinguishable because the district court implicitly found no threat of future violations and, thus, no risk of future irreparable harm.

D. The Court Of Appeals Opinion Correctly Applied The Balancing Of The Hardships Factor And Did Not Create A Circuit Split.

Petitioner argues that the Tenth Circuit opinion improperly considered four factors in assessing the potential harm to Respondent if the district court had granted a preliminary injunction. Petitioner then asserts that the Tenth Circuit's consideration of these factors is in conflict with other circuits. Petitioner fails to mention that it did not present any evidence at all on its side of the balancing test.

The Tenth Circuit opinion, however, did not elevate any of these four factors to the status of a *per se* rule applicable to preliminary injunctive relief generally. Rather, on the very limited record before it, the Tenth Circuit merely held that the district court did not abuse its discretion by taking these various factors into account and deciding that an injunction would weigh more heavily on Respondent than the lack of one would affect Petitioner.

Petitioner argues that it was improper for the Tenth Circuit to consider the harm to Respondent from proceeding in face of a known risk. The linchpin to this argument, of course, is that the risk be "known" by the actor. Petitioner asserts, without offering any evidence, that Respondent purchased the counterfeit Newport® cigarettes from some nefarious "unknown source" and, therefore, he knew there was a risk that the cigarettes were counterfeit. However, the only evidence in the record is that Respondent purchased cigarettes for resale from Sam's Club and the Cigarette Store. As the Tenth Circuit properly noted, where a retailer such as Respondent cannot tell genuine product from counterfeit product, an injunction imposes a Hobson's choice – either risk contempt sanctions for violating a federal court order or cease engaging in a lawful, economic activity.

In this sense, it was not the monetary consequences of stopping the sale of all Newport® cigarettes that weighed in the Tenth Circuit opinion, it was the risk of inadvertently violating a federal court order that weighed more heavily on Respondent. The Tenth Circuit opinion did not even mention monetary harm to Respondent if he decided to stop selling any Newport® cigarettes in response to a preliminary injunction.

In sum, the Tenth Circuit did not hold that a preliminary injunction can never enter against a small business; it did not hold that a preliminary injunction can never enter if it is difficult to distinguish genuine from counterfeit product; it did not hold that acting in light of a known risk is always a proper or improper factor for courts to consider; and, it did not mention monetary damages at all. It did not announce some grand new rule of injunction jurisprudence nor did it lay down a framework for the analysis of future cases.

Rather, on an abuse of discretion standard and with a limited record, the Tenth Circuit merely affirmed an inherently fact-specific, equitable decision that the past sale of two packs of counterfeit cigarettes did not justify the imposition of a preliminary injunction directed at preventing future violations. Indeed, in the post-*eBay* world, the district court and the Tenth Circuit properly took into account all relevant factors without relying on presumptions or *per se* rules that dictate what a court can and cannot consider.

For these reasons, there is no conflict between the Tenth Circuit's opinion and the other circuit opinions cited by Petitioner. Every case is different and preliminary injunction decisions are always fact-specific and equity-driven. If *eBay* teaches anything, it is that hard and fast rules must give way to the district court's traditional discretion in equity, which is exactly what the Tenth Circuit affirmed in this case.

III. CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

STEPHEN C. PETERS
JOHN A. CHANIN
LINDQUIST & VENNUM P.L.L.P.
600 Seventeenth Street,
Suite 1800-S
Denver, CO 80202
303-573-5900

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Counsel for Respondent

APPENDIX

Federal Rule of Civil Procedure
Rule 65. Injunctions

(a) Preliminary Injunction.

(1) *Notice.* No preliminary injunction shall be issued without notice to the adverse party.

(2) *Consolidation of Hearing With Trial on Merits.* Before or after the commencement of the hearing of an application for a preliminary injunction, the court may order the trial of the action on the merits to be advanced and consolidated with the hearing of the application. Even when this consolidation is not ordered, any evidence received upon an application for a preliminary injunction which would be admissible upon the trial on the merits becomes part of the record on the trial and need not be repeated upon the trial. This subdivision (a)(2) shall be so construed and applied as to save to the parties any rights they may have to trial by jury.

(b) Temporary Restraining Order; Notice; Hearing; Duration. A temporary restraining order may be granted without written or oral notice to the adverse party or that party's attorney only if (1) it clearly appears from specific facts shown by affidavit or by the verified complaint that immediate and irreparable injury, loss, or damage will result to the applicant before the adverse party or that party's attorney can be heard in opposition, and (2) the applicant's attorney certifies to the court in writing the efforts, if any, which have been made to give the notice and the reasons supporting the claim that

notice should not be required. Every temporary restraining order granted without notice shall be indorsed with the date and hour of issuance; shall be filed forthwith in the clerk's office and entered of record; shall define the injury and state why it is irreparable and why the order was granted without notice; and shall expire by its terms within such time after entry, not to exceed 10 days, as the court fixes, unless within the time so fixed the order, for good cause shown, is extended for a like period or unless the party against whom the order is directed consents that it may be extended for a longer period. The reasons for the extension shall be entered of record. In case a temporary restraining order is granted without notice, the motion for a preliminary injunction shall be set down for hearing at the earliest possible time and takes precedence of all matters except older matters of the same character; and when the motion comes on for hearing the party who obtained the temporary restraining order shall proceed with the application for a preliminary injunction and, if the party does not do so, the court shall dissolve the temporary restraining order. On 2 days' notice to the party who obtained the temporary restraining order without notice or on such shorter notice to that party as the court may prescribe, the adverse party may appear and move its dissolution or modification and in that event the court shall proceed to hear and determine such motion as expeditiously as the ends of justice require.

(c) **Security.** No restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained. No such security shall

be required of the United States or of an officer or agency thereof.

The provisions of Rule 65.1 apply to a surety upon a bond or undertaking under this rule.

(d) Form and Scope of Injunction or Restraining Order. Every order granting an injunction and every restraining order shall set forth the reasons for its issuance; shall be specific in terms; shall describe in reasonable detail, and not by reference to the complaint or other document, the act or acts sought to be restrained; and is binding only upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.

(e) Employer and Employee; Interpleader; Constitutional Cases. These rules do not modify any statute of the United States relating to temporary restraining orders and preliminary injunctions in actions affecting employer and employee; or the provisions of Title 28, U.S.C., § 2361, relating to preliminary injunctions in actions of interpleader or in the nature of interpleader; or Title 28, U.S.C., § 2284, relating to actions required by Act of Congress to be heard and determined by a district court of three judges.

(f) Copyright Impoundment. This rule applies to copyright impoundment proceedings.

[Amended December 27, 1946, effective March 19, 1948; December 29, 1948, effective October 20, 1949; February

28, 1966, effective July 1, 1966; March 2, 1987, effective August 1, 1987; April 23, 2001, effective December 1, 2001.]